

## Budget Squeeze? Find a Gold Mine in Your Utility Budget

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Faced with shrinking budgets and never-ending needs to improve and upgrade facilities, many state facilities directors have found a way to free-up utility dollars and invest them in capital improvements. Energy cost savings can be used to pay for the entire cost of energy-saving projects through an innovative approach called **energy performance contracting**, where an energy service company guarantees that annual energy cost savings will exceed annual lease-purchase payments on energy-saving equipment, eliminating the need to dip into capital budgets. "While funds for capital construction grow scarce, performance contracting offers a huge, untapped source of funds. Millions of dollars otherwise paid to utility companies over the next decade can, instead, be invested in energy-saving improvements," says Rick Grice, Executive Director of the Governor's Office of Energy Management and Conservation (OEMC).

In the past few months, many state agencies, colleges and universities have initiated performance contracts that promise to deliver **over \$50 million** in facility improvements. The Department of Personnel and Administration (DPA) leads the way in state agencies, where the state capitol and surrounding buildings will benefit from improved lighting and upgraded heating and cooling systems. The Department of Human Services just selected an energy service company and the Department of Corrections will soon do the same. A number of higher education facilities are using this approach including the University of Northern Colorado, Colorado State University, University of Colorado at Denver, University of Colorado at Colorado Springs, and the Housing Division of the University of Colorado at Boulder.

In late 1999, **Governor Owens** recognized the state facilities that pioneered the use of performance contracting in the state and said, "I view energy performance contracting as a smart way to improve building efficiency and a wise way to reduce taxpayer costs to operate these facilities." These included the Department of Military Affairs, Western State College, Auraria Higher Education Center, Adams State College, the University of Southern Colorado and the Recreation Center at the University of Colorado in Boulder, totaling over \$8 million in energy-saving projects. Owens added, "Performance contracting also is a great example of how the public and private sectors team up to leverage local energy expertise and reap the benefits of better buildings with no up-front costs."

Energy-saving equipment not only pays for itself, but also provides many other benefits. State employees will appreciate improved year-round comfort provided by new heating, cooling and temperature control systems. Facilities staff will enjoy the opportunity to replace antiquated equipment with new technologies, getting rid of long-standing maintenance problems and getting advanced training on modern, high-tech systems. Colorado's struggle with the drought will be eased since water savings can pay for water-saving fixtures. During this time of budget concerns, performance contracting enables the state to optimize use of its utility dollars. "Performance contracting offers a way to expand limited capital dollars and reduce the backlog of budget requests to improve facilities," said **Larry Friedberg, State Architect**, Director of State Buildings & Real Estate Programs, DPA.

OEMC and DPA's State Buildings and Real Estate Programs work in partnership to provide information, guidelines and technical services to help state facilities engage in performance contracts. With experienced staff, professional consultants, a network of energy professionals, and partners in national organizations, OEMC and State Buildings offer a large range of services in energy efficiency. For more information contact **Linda Smith, OEMC**, at 303-894-2383 or **Larry Friedberg, State Buildings**, at 303-866-3079.